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Impact of Monopsonical Labor Market on the Development of Regions of Russian Federation

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Abstract

Regional organization of Russian Federation was mainly formed during the epoch of centrally planned economy. In Soviet Union regions were considered to be industrial platforms, which collectively provided a dynamical growth and adequacy of economy. Due to these factors regional development of the country was performed as a planned distribution of productive powers. When regions, that were formed and developed according to rules of centrally planned economy, changed to market economy, they didn't conform to the scope of economical and social processes of the open market.

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1. Introduction

Regional organization of Russian Federation was mainly formed during the epoch of centrally planned economy. In Soviet Union regions were considered to be industrial platforms, which collectively provided a dynamical growth and adequacy of economy. Due to these factors regional development of the country was performed as a planned distribution of productive powers. When regions, that were formed and developed according to rules of centrally planned economy, changed to market economy, they didn't conform with the

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scope of economical and social processes of the open market. The major part of regions of Russian Federations failed in a competitive struggle not only in an international level, but even in the internal market. Primarily town formations, which were formed in order to solve old geopolitical problems (centers of military-industrial complex, military communities, closed political subdivisions, company towns that formally depend on the technology of town-forming companies, etc.) didn't find their place in the new economy. Manufacturing is transferred from the developed countries to the «third world countries», where raw materials and labor are cheaper. As a result we can face such facts as vanishing of small towns and settlements from the country map downswing of economical and social spheres, migration of the inhabitants to megapolises.

Free labor market, as we see it during the epoch of the scientific and technological revolution, in informationally developed economy, is one of the main elements of commercial market economy and is one of the basis of the democratic structure of society.

It is a protected by the law complex of equal social and economical relations that exists between the private and state employers on the one side and the employable population – on the other and in general effectively satisfies the basic interests of the both sides during the process of the reproduction and development of the national economy.

At maturity national labor market penetrates all the public production. Each industry obtains the personnel it needs. In is important that labor market uses the labor force not only of a certain professionally qualified category, but also of certain cultural and ethic – labor merits, that follow the economy demands.

The labor market provides with the following possibilities:

- free choice of the profession, industry and place of activity (enterprise), rewarded by priority offers (salary level, possibilities of realization of creative concepts, etc.);
- freedom of employer to hire and dismiss his employees in accordance with the Labor legislation, that protect the citizens interests in terms of guarantee of the employment, labor conditions and its remuneration;
- free movement of salary and other income; compliance with the guaranteed minimum wage, that is established by the law, that provides with money amount that gives an opportunity of the expanded reproduction of the population and modern labor force; regulation of the ceiling through the tax system, based upon the progressive scale;
- independent and at the same time economically encouraged migration of labor force between regions, industries and professionally qualified groups, that almost always improves the life level and possibilities of labor activity.

Labor force (economically active population) appear on the labor market as a holder and seller of merchandises that are very important for the economy – knowledge, qualification, moral qualities (honesty, fidelity, ambitiousness) and creative abilities. These values are objects of purchase and sell.

When the working people go to the labor market they have a status of counteragents, independent in their actions, that is secured in legislation and confirmed by the real economical and political situation.

Status of the equality of labor sellers and buyers is very important in commercial market competitive relations. It considerably destines the effectiveness of the difficult technological, professionally qualified connections and social relationships that exist in the modern social production. Under the conditions of the massive creative activity these connections become more difficult and aggravated and get a crucial importance in the economy development. Position of the equality provides the priority of the labor community, manufacturing consent that not only conduce the increase of the effectiveness of public production, but also its quick development. Free labor market is an open market in social, political and world economic context. It provides the working people with the opportunity of transaction, in accordance with their interests and readiness, from the employee to the private enterprise and back. Also migration between the corporations and state organizations is possible. Emigration to another country for work is not connected with special liabilities and conditions.

Capitalism – is the first and still the only formation in the history of the world civilization, which provides all the citizens of the country with the juridical and actual right of full ownership of their labor force – the main creative element of the social production. Only a worker is a sole, sovereign owner of his labor potential on the capitalistic labor market. If the worker doesn't have his own business he sells his labor to the employer, somewhat renting his labor force. The labor contract, signed between the employer and the employee and the existing legislation express and protect interests of both sides and estimates the optimal working conditions, time, functions and intensity of work.

The employer, on whose behalf the private capital and the state are acting, can't buy the labor force and become its owner even if he wants to. There is no such a possibility on the capitalistic labor market, if there was such an opportunity, it would be something different, but not capitalism.

Moreover, such an acquisition doesn't serve the interests nor of private capital, neither of the state, because the worker without an ownership of his labor force and without a possibility to manage his human potential loses interest towards the labor, preservation and development of qualities of worker, creator and stops the gasp for its better usage. Moral, spiritual connections with the labor sphere and the society weaken interest to prosperity and development of the enterprise, national economy, country, disappears. It negatively influences the material welfare of the population and stops its spiritual and cultural growth.

As the employer acquires the labor force for timely, or even may be for long time usage, he is interested in maximum high labor quality of the employee and on his part and in his own interest is willing to create favorable conditions for it.

The employees, working in the system of such productive relations are interested in maximal realization of their professional and creative capabilities, as it is the best and sometimes the only way to achieve a high life standard and firm position in the society. So there is a high level of coherence of interests of labor and capital that is a determinative of stable effectiveness of economy and its huge life power. Also the market brings competition to interlabor relations and increases motivation to qualitative labor.

By means of the national labor market enterprises and companies get only those labor forces that can really provide them with a high and permanent effectiveness of labor and production processes.

Labor market guards the interests of the society and all its members, dividing the working population into those who can immediately after the graduating from the education institution and acceptance for employment can be admitted to work, and those who should have an addition preparation before it. It is more profitable to make Unprepared to social labor, especially low-skill workers publicly-funded for some time and to provide them with an intensive retraining, than to keep them in enterprises and companies for the same money amount, paid as salary. Such method should be used in the Russian economy.

2. Special aspects of income distribution in Russian economy

The modern private enterprises economy of our country should be considered as a system with 2 parties: market (small private enterprises), and corporative (big private enterprises). Distributing relationships in these sectors of economy are differing a lot.

In state sector (in state self-supporting enterprises and in state budget-funded entities and organizations) distribution rules also have their peculiarities.

a) Market sector. Functioning of the majority of small and medium enterprises that belong to the market sector, provide an effective distribution of the social product. In competitive sphere the resources are as usually directed to the production of those goods and services, that the society needs most of all. In the market system the will of the consumer, that is expresses in increase or decrease of purchasing, is transferred through the market to the producer, i.e. the production is managed by the choice of the consumer and the society, their payable demands. Process of distribution in the market system is the following. Any product is distributed between the consumers on basis of their ability and desire to pay for it a significant market price. A possibility

of the consumer to pay an equilibrium price for the product is estimated by the amount of his money income. The last depends on the amount of different material and human resources, provided to the market by the income receiver and on the prices, at which these resources can be sold on the resource market. So prices at the resources play a key role in formation of the income amount, that each household can offer in exchange for a part of a social product. Within the money income of the consumer his readiness to pay an equilibrium price for the product will estimate whether the part of the said product will be transferred to the consumer's ownership. Such readiness to buy a product depends on whether the consumer prefers this product, while compared it to its close substitutes and their prices. Therefore, prices for products, in their turn, play the key role in formation of the consumer's expenses scale. Households that can accumulate a big amount of the material resources by inheritance, as a result of hard labor and economy, by means of use of special business intelligence or even by means of deceit, get big income. So they maintain huge parts of the social product. The others, that supply the market with unqualified and comparatively nonproductive labor forces in exchange for a low salary, get low money income and comparatively low shares of the national product. The market system is a depersonalized, unprejudiced mechanism and income distribution that appears on its basis can arise a bigger inequality the society needs. The market system gives bigger income to those whose labor is better paid because of inborn aptitudes, education and skill received. As well those who own a strong capital and ground areas, earned by a hard labor or received by inheritance, get big income from them. But other members of the society have less aptitudes, received low education and qualification. So their income is low. Moreover, many old people with physical and mental defects, single women and widows with children at expense earn very little or, like unemployed, don't have income in the market system. The market system involves a significant inequality in distribution of money income and consequently in distribution of the national product between the individual households. The product produced mostly appropriated for production of luxury items for the rich ones at the expense of the resources for production of necessities for the poor ones. Expansion of the market sphere sharpens the appearance of its problems, conditioned by the imperfectness of influence of supply and demand on distribution of the social product. When the supply and demand don't exactly reflect all the benefits and expenses, the market system can't provide such a distribution, that will in the best way satisfy the society's demand (it concerns the pollution problems and others). The market system can't exactly consider the public or collective needs (needs for education, for prevention of the emergency, sufficiency of the national defense etc.).

b) The corporate sector. One of the leading forces transforming the economy of Russia is a rapidly emerging corporate sector, in which many large enterprises transit. Some of them have a monopoly in the production of goods and services. In the pre-reform period the activities of these enterprises strictly regulated by the state. In modern conditions they have more autonomy. Their influence on the formation of income increases precipitously. Rules for distribution of the social product in the corporate part of the economy are much less considered. Interests of rapidly emerging corporations are widely implemented through the control of internal and external environment of their activities. Modern corporations have greater freedom in choosing and achieving their goals, have power over the setting of prices and costs, the impact on consumers, the organization of the delivery of materials and supplies, they carry out their policies on the labor force and effect on the activity of the state. Corporate power leads to the loss of consumer sovereignty over the producer. The producer controls consumers more and more; it subordinates its own needs, i.e. monitors consumer demand. It is the power, not «need» in the ordinary way, determines the functioning of the economy. Production reaches a large size not necessarily where there is great need. It may be large where there is a great opportunity to control the behavior of an individual consumer or to participate in the control of the procurement of goods and services by the state. When corporate power products usefulness is only one of several conditions of their production. On the foreground is the consumer's persuasion in the novelty of product. The novelty or seeming novelty if it contributes to the effectiveness of persuasion of a consumer serves the purposes of corporations better than the usefulness and efficiency. It is not coincidence that the offer of all kinds, often not the most necessary goods to consumer significantly increased, in comparison with the cost of ground transportation production or

construction of residential houses, comfortable and inexpensive clothing, etc. Corporative system brings volatility to the development of economy, brings up a high inflation, prices in it are controlled by the companies and usually grow quicker than in the market sector. Salary that is controlled by the labor unions also grows quicker, than in small and medium companies and in the public sector. A part of expenses for the salary that is increased by the enterprises under the pressure made by the labor units is re-laid to the taxpayers through the increase of prices. This inflation has a systematic character and is also determined by the independence of big companies from the government regulation of state and private expenses and reduction of private expenses by the borrowed money and tax growth. Inflation is also increased by the active use not of borrowed money, but of the income by the corporations for investments. Its growth is also promoted by the presence in its structure of newly formed conglomerates of enterprises, performing the financial operations; commercial and investment banks (for example formation of financial-industrial groups), insurance companies, possibility of relay of higher taxes for goods and services to the society. The feature of the corporative system is an insufficiency of an effective demand, determined by that the incomes of corporations are used not for the accumulation (investment, i.e. are spent), but for saving. They are actively used as short-term money. In the corporative system there is no such a mechanism that provides a compliance of the decisions on savings and accumulation with the interests of the population. In corporative and market systems differences in salary increase; modern tendencies in development of economy will lead to on the one hand existence of groups of workers, living in relatively successful conditions, and on the other to the existence of groups relatively poor workers. There is an increasing tendency to inequality of income between the different sectors of the economical system. In the corporative system differences in salary are also high. It is natural, that managers of big companies use their power to make this difference stronger. As a result in Russia a narrow salary pyramid is quickly formed and salaries on its top are very high.

c) The state sector. Abrupt change of the conditions of functioning of Russian economy takes place in ground of the weakening of the state. It is expressed not only in the compression of the state sector of economy, but also in its residual financing, fall behind of the salary level from the market sector. That's why there is a need in a new strategy of the following social-economical changes, also in the sphere of distribution of the social product and income. It should be directed to the equation of the people possibilities in frame of the different members of economical system and include:

- state support for the noticeable strengthening of the market part of the national economy;
- restriction of product, that is distributed in very developed sectors of the incorporated economy;
- formation of a new appearance of the state sector.

Anti-monopoly measures, planned by the government, are fair and should be strengthened. But it shouldn't be connected only with the denationalization. The corporative monopolism is as dangerous, as the state one. On the other hand, formation of the market sector of economy shouldn't be accompanied by the unjustified split of big corporative enterprises. It would lead to the following pullback to the lower effectiveness of the production. Reconstruction of a new appearance of the state sector needs a stop of the tendencies of denationalization of housing constructing, medical services, city transport, education and formation of state corporations inside the industries, that supply the public needs (armament production, etc.). These industries will better function outside the incorporated and market sectors of the economy. Reconstruction of the state sector in a new appearance, including the most weakened and too much developed industries, will direct the state efforts to provide people with the accommodation, overland transport, medical services, art and culture, restriction of negative impact of the production to the environment.

3. Reasons of monopsony on labor market in small cities of Russia

Social development of company towns greatly depends on the economical situation of a town-forming company. Presence of a big town-forming company, where sometimes work over a half of employable

population, has both positive and negative features. On the one hand as usually according to statistics, salary or income of employees on such a company is higher than that of employees of other companies. Moreover, such companies usually partially maintain the social environment of company towns (education, health service, culture, social companies) by direct participation through taxes, paid to budget of municipal unit or social programs (social package). On the other hand if the company has economical difficulties, there arises a critical situation, unemployment grows, social standard of living decreases, financing of state-financed organizations and social service sphere. Insufficient recognition of demographical and natural climatic conditions on allocation of companies determines high possibility of destabilization of their social development. To that end complex assessment of economical determination of tendencies of their development become of interest at this time. Such an assessment should take into account a situation in the sector of employment of the population and on the labor market of company towns, condition of social spheres, assessment of life and quality level of the population in comparison with the similar index of other towns and in the region in general. Situation in the sector of employment of the population is critical for understanding of dynamics of social development of company towns, whose distinctive characteristics is monopolization of sphere of use of human resources. Strong dependence of number and structure of employed (and unemployed) people on needs of the town-forming company is the major factor that provides a specific disproportion in the development of monospecialized labor markets. In the conditions of the modern market regions with town-forming companies give a rise to the monopsony on local labor market and all other things being equal will have less demand on labor power and pay less salary, than a company, working in conditions of normal business competition. Peculiarities of manufacturing technology of town-company also determine a demographical structure of demand on labor power in such regions.

In regions with monopsonical labor market professional mobility of labor power is limited, possible spheres of labor activity are narrow, what effects the interests of young men, who are interested in diversification of professional interests. Such a situation has a negative impact on demographical processes, leads to uncontrolled migration. Finally there arise difficulties in municipal management. Consequently in conditions of territorial isolation, monopolization of labor markets and social and economical spheres by the town-forming company the specific tendencies of social development with limited possibilities are formed. Presence of specific disproportions of monospecialized labor markets predetermines specifics of methodological approach that is used to analyze tendencies of social development of company towns. A deep statistical and dynamical analysis of different «levels» of social structure, determined by peculiarities of labor market and employment of the population is needed. The most important elements of such analysis are the comparative evaluations of unemployment dynamics (official and hidden), average duration of unemployment, structure of unemployed people according to age and sex, reason of dismissing, profession, qualification and level of education. In company towns there is a specific structure of demand and supply of specialists of different professions.

4. Conclusion

At the beginning of modern reforms Russia is a country with transitional economy. Market relations haven't been formed yet. Process of market changes should be checked with the world practice and mechanisms of income distributions that are typical for the market economy. Depending on combination of market types (perfect competition or monopoly and oligopoly and others) and, monetary systems (more or less it is connected with development of credit facilities) there can be distinguished the following models of competition at the labor power market:

- 1) Labor power market can have an opportunity to form salaries themselves. As a result there appear different forms of the market: monopoly of buyers, monopoly of sellers etc. Monopoly of employers on labor

power market allows the employers decrease the salary and employees get the lower part of products, than it would have been of the competition of employers brought salaries to balance.

2) Groups of employers and employees establish the salary during negotiations under the government of state agencies. Distribution is made by self-government bodies or professional groups.

3) Distribution of income is formed in condition of total competition through mechanisms of free-of-control price. The functions of these mechanisms are: transmission of true information about demand and supply on goods and services: stimulate the use of the most economical methods of manufacturing; define who gets the percent of product produced and the amount of this percent, in other words they establish the rules of income distribution. Distribution in conditions of total competition is bound with appearance of essential differences in purchase power of income. In practice there are methods of correcting of distribution for competitive market. That is establishment of progressive income tax taxation policy.

Perfect competition of labor force market assumes existence of 4 main features:

- Demand on certain labor type (on employees of certain qualification and profession) by quite a big number of companies in competition between each other.
- Supply of labor by all the employees on one and the same qualification and profession (i.e. members of a complementary group) independently from each other.
- Absence of a union neither on behalf of buyers of labor service (monopsony) nor sellers (monopoly).
- Impartial impossibility of agents of demand (companies) and agents of supply (employees) to establish control over labor market price, i.e. compulsory dictate the salary level.

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